



Charter for Development of the Alaskan North Slope



The Alaska Department of
Environmental Conservation's
2006 Report



Industry Preparedness Program
Alaska Department of Environmental Conservation
555 Cordova Street
Anchorage, Alaska 99501

voice: 907-269-3094
fax: 907-269-7687

This publication is also available on the Web at:
<http://www.dec.state.ak.us/spar/ipp/nscharter.htm>



The Alaska Department of Environmental Conservation (ADEC) is pleased to present the following report summarizing the status of the Charters' environmental commitments for calendar year 2006.

Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Cleanup of Abandoned Sites (II.A.1)

By year end 2005, BP will spend \$10,000,000 or more to assess and clean up North Slope Orphan Sites.

No work related to the Orphan Sites cleanup program was conducted in 2006.

The Orphan Site cleanup program concluded on December 31, 2005.

Total program expenditure through 2005 was approximately \$10,100,00.

Cleanup of Abandoned Empty Barrels (II.A.2)

BP and CPA to inventory and remove abandoned barrels encountered as part of their respective seismic or exploration activities.

CPA removed 388 abandoned barrels from areas along the Harrison Bay coastline in the Kuparuk Unit in 2006.

BP did not identify or report any barrels for removal in 2006.

CPA has removed 1,507 abandoned barrels under this program since 2001.

BP has removed 111 abandoned barrels under this program since 2002.

This commitment is effective for the life of the merger.



Photo courtesy of ConocoPhillips Alaska Inc.



Photo courtesy of ConocoPhillips Alaska Inc.

Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Accelerated Cleanup of Existing Contaminated Sites (II.A.3)



BP and CPA to assess and cleanup contaminated sites listed on Exhibit D2 to standards approved by ADEC.

High priority sites will be substantially completed by year end 2005.

Remaining sites to be completed by year end 2007.

Sites which due to operational restrictions cannot be fully cleaned until facility or equipment abandonment will be identified by BP, CPA and ADEC for completion according to a mutually agreed schedule.



BP completed cleanup, and ADEC issued a closure status for the following four sites during 2006:

- ARCO East Dock Bioventing Site;
- ARCO Point McIntyre PM-1;
- ARCO Drill Site Maintenance Pad (Warm Storage Facility);
- Northwest Eileen 1&2.

BP also conducted monitoring at five additional sites in 2006; however, monitoring at two locations was deferred to 2007 due to the oilfield shutdown in August 2006.

CPA completed cleanup, and ADEC issued a closure status with follow-up monitoring for the following four sites in 2006:

- West Sak SWPT #1;
- CPF-1 Recycle Facility
- Kuparuk CPF-1 Divert Tank A
- ARCO 100% Pad.

Additional corrective action was conducted at

- West Sak 24 Flare Pit.

BP is responsible for 24 of the 42 sites listed on Exhibit D2. Of the 24 sites, BP has closed out 12. Current status of BP's remaining 12 sites is as follows:

- Two sites have been removed from the D.2 list and will be managed under the Reserve Pit Program;
- Two sites have been granted extensions for cleanup to be deferred until 2008;
- Three sites, investigation continues and extensions will be requested;
- Three sites, work is anticipated to be completed by 2007;
- Two sites, corrective action has been completed and is being reviewed by ADEC for closure eligibility.

CPA is responsible for 18 of the 42 contaminated sites listed on Exhibit D2. Of the 18 sites, CPA has closed out 11. Current status of CPA's remaining seven sites is as follows:

- Two sites, assessments are complete, remedial action has been taken, and annual monitoring will be conducted;
- Two sites, final cleanup has been deferred until facility abandonment with annual monitoring;
- Two sites, gravel pad cleanup will be coordinated with the reserve pit removal;

One site, corrective action has been completed and is being reviewed by ADEC for closure eligibility.

Environmental Commitments

Accelerated Cleanup of Inactive Reserve Pits (II.A.4)

BP and CPA to comply with ADEC regulatory requirements in closing inactive reserve pits.

BP and CPA to close inactive reserve pits listed in Exhibit D3A and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement by December 31, 2004 and to close the other inactive reserve pits listed on Exhibit D3A by the end of 2007.

BP and CPA to close inactive reserve pits listed on Exhibit D3B according to a mutually agreed schedule that ends a reasonable period after work on D3A sites has been completed.

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Although considerable construction work was accomplished by both BP and CPA toward closure of exploration and production reserve pits in 2006, no final closures were granted by ADEC.

As of 2006, CPA has been granted ADEC closure of all 37 of the Production Reserve Pits (D3A) and 33 of the 43 Exploration Reserve Pits (D3B) that it is responsible to close under the Charter Agreement; and,

BP has been granted ADEC closure of 23 of the 50 Production Reserve Pits (D3A) and 18 of the 41 Exploration Reserve Pits (D3B) that it is responsible to close under the Charter Agreement.

The closure of some exploration sites was accelerated and moved ahead of the closure of production site pits based on perceived risk to the environment. Closure of production and explorations sites is proceeding concurrently to allow for maximizing the operational efficiency of the limited capacity of the grind and inject facility.

All Production and Exploration Reserve Pits are projected to be closed by 2014.



Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

North Slope Spill Response (II.A.5)



BP and CPA to support an independent professional North Slope spill response organization such as Alaska Clean Seas (ACS) and will encourage the fullest possible participation in ACS by all North Slope producers.

BP and CPA will support and vote in favor of funding to ACS for an Arctic spill response research and development (R&D) program jointly agreed to by, ACS, BP, CPA and ADEC at an average annual level of not less than \$200,000 during the 10 year period following completion of the merger.



In 2006, BP and CPA provided \$91,610 to ACS in support of the following spill response R&D projects:

- North Slope Coastal Ocean Dynamic Applications Radar (CODAR) conducted by the University of Alaska Fairbanks. The CODAR project is a land based radar system for measuring the speed and direction of the Beaufort Sea surface currents. The project received vessel transportation support from ACS (\$1,025);
- Ground Penetrating Radar (GPR) for Detecting Oil Under Ice. An experimental oil spill was conducted under sea ice in Svalbard, Norway with sufficient surface area, volume and thickness to test GPR measurements at a realistic scale. Partial funding was contributed (\$16,458);
- Continuation of Well Blowout Model Development (\$20,000);
- Spill Related analysis of Eleven North Slope Crude Oils (\$31,500);
- Joint Industry Program led by SINTEF to develop knowledge, tools and technologies for oil spill response for ice covered waters. ACS participated in two planning sessions for the project (\$4809);
- Pour Point Depressors. A white paper was written by SL Ross on the applicability of pour point depressants to improve pumping of cold viscous oils on the North Slope (\$2,818);
- Methods of De-Icing Rope Mop Skimmers in Cold Temperatures. Project co-funded with CISPRI. Field tests were conducted by CISPRI (\$15,000).

Total expenditures through year end 2006 are \$1,445,022.

This commitment ends in 2010.

Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Corrosion Monitoring and Related Practices (II.A.6)



In consultation with ADEC, BP and CPA to develop a performance management program for the regular review of corrosion monitoring and related practices for non-common carrier North Slope pipelines operated by BP and CPA. Program highlights include the following:

- On average, twice yearly meet and confer working sessions between BP, CPA and ADEC;
- Reports by BP and CPA on their current and projected monitoring, maintenance and inspection practices to assess and to remedy potential or actual corrosion and other structural concerns related to these lines;
- Ongoing consultation with ADEC regarding environmental control technologies and management practices.

BP, CPA and ADEC met in May 2006 and November 2006, to confer on current pipeline corrosion monitoring, mitigation, maintenance and inspection practices.

BP and CPA submitted their calendar year 2006 reports on corrosion monitoring and mitigation in March 2007.

2006 inspection program highlights include:

- Internal pipeline inspection at 182,289 locations;
- External pipeline inspection at 36,346 locations;
- 191 below grade pipeline segments were inspected by either smart pig or long range ultrasonic technologies. Of these, 46 were excavated, inspected and repaired as needed;
- Nine additional pipelines, including below grade segments were inspected with smart pig technology.

The first meet and confer session was held in April of 2001. Since then ADEC has met with industry twice yearly, once in the spring and once in the fall for meet and confer sessions.

ADEC also consults with BP and CPA on as needed basis throughout the year.

This commitment is effective for the life of the merger.



Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Additional Expenditure Commitment (II.A.7)

BP and CPA will pay or spend up to an aggregate total of \$500k each year during the 10 year period following completion of the merger for any combination of the following as requested annually in writing by the ADEC Commissioner:

- Additional orphan site assessment or cleanup in excess of cap established under II.A.1;
- Additional Arctic spill response research and development in excess of amount established under II.A.5;
- Funding for experts chosen by ADEC to provide advice on pipeline corrosion and/or other pipeline structural integrity issues.

ADEC requested additional funding for Arctic spill response research and development projects and pipeline corrosion monitoring experts.

The following projects were funded under this program in 2006:

- Hydrocarbon mitigation and clean-up technologies for North Slope gravel pads (Phase II);
- Beaufort Sea Current Study;
- Pipeline Integrity Conferences;
- Arctic Pipeline Technology Team (APTT) support.

ADEC continues to request funding for projects of interest on an annual basis.



Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Payment of Unspent Funds (II.A.8)

In the event that expenditures by BP and CPA is less than the full amounts provided for under Charter paragraphs II.A.1, II.A.5, and II.A.7, then BP and CPA will pay any outstanding balance as directed by the ADEC Commissioner.

The II.A.1 Orphan Sites Program concluded on December 31, 2005 and BP has met their full expenditure commitment.

BP and CPA are on track to fulfill their expenditure commitment under paragraph II.A.5.

ADEC has not requested funding in the full amounts available to them under paragraph II.A.7.

Records are maintained for all expenditures associated with paragraphs II.A.1, II.A.5 and II.A.7



Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Renewed Commitment to OPA (II.B.1)



BP and CPA will not seek to be relieved from vessel retirement or replacement requirements of the Oil Pollution Act of 1990 (OPA 90), will not lobby for a reduction in OPA 90 requirements, and will not take any other action to extend the retirement dates of non-double-hulled tankers.

If a trade association or group of which BP and CPA is a member takes a different position, BP and CPA upon notification and request by ADEC, will issue a statement reaffirming its support for OPA 90.

BP and CPA have completed their new construction program to replace current tanker vessels with new state of the art double hull tankers and to meet the requirements of OPA 90.

BP and CPA have not lobbied for a reduction in the requirements of OPA 90 or taken any other action to extend retirement dates of non-double-hulled tankers in their fleets beyond the currently scheduled retirement dates.

This commitment is effective for the life of the merger.

Replacement Vessels (II.B.2)



In furtherance of their commitment to meet or exceed the OPA 90 standards and timetable, BP and CPA will complete the purchase and delivery of double-hulled tankers to meet their combined Alaskan North Slope (ANS) fleet requirements on average one year earlier than required by OPA 90, with the expectation that the entire ANS fleet will be double-hulled by mid-year 2007.

These new tankers will have safety related attributes substantially equivalent to or better than Millennium or Cape class tankers including:

- new build double-hulls;
- main power plant redundancy;
- twin propellers;
- twin rudders;
- twin independent steering;
- proven electronics.

In addition, BP and CPA will continue to support a ship escort response vessel system for Prince William Sound at current or better levels of effectiveness.

Two new Millennium/Endeavor class tankers, the Alaskan Legend and the Polar Enterprise were placed into service in 2006.

BP has placed all four of their scheduled Millennium class tankers into service as follows:

- Alaskan Frontier, 2004;
- Alaskan Explorer, 2004;
- Alaskan Navigator, 2005;
- Alaskan Legend, 2006.

CPA has placed all five of their scheduled Endeavor class tankers into service as follows:

- Polar Endeavor, 2001;
- Polar Resolution, 2002;
- Polar Discovery, 2003;
- Polar Adventure, 2004;
- Polar Enterprise, 2006.

BP and CPA continue to support the ship response escort system (SERVS) for Prince William Sound which continues to meet federal and state requirements.



Environmental Commitments

PROVISIONS

2006 ACHIEVEMENTS & STATUS

Marine Operations (II.B.3)

BP and CPA will encourage and support the companies operating ANS tankers in using a performance management program for the regular review of its management and operations practices, including a safe environment, training and qualifications, and vessel operation, maintenance and management procedures.

This program will include meet and confer working sessions between the operating company and ADEC, scheduled on average once per year. This program to include the following components:

- Reports by the operation company of their current and anticipated management and operations practices;
- Ongoing consultation between the operating companies and ADEC on tanker management and operation practices;
- Involvement of BP and CPA in those sessions and consultations on a monitoring basis.

In addition, BP and CPA will encourage the operating companies to allow ADEC personnel to observe, and be provided written results of audits as part of a certification or re-certification process for the International Maritime Organization's International Safety Management Code or for the International Standards Organization.

Alaska Tanker Company (ATC) and Polar Tanker continue to review their management and operation practices on an annual basis. ADEC attends these meetings.

ADEC staff participates with ATC and Polar Tanker personnel in quarterly meetings of the Valdez Marine Safety Committee (VMSC) which addresses safety of navigation issues in Port Valdez and Prince William Sound.

ADEC personnel regularly conduct shipboard inspections of ATC and Polar Tanker vessels at the Valdez Marine Terminal. These inspections cover, among other things, ship maintenance and personnel training. Inspections results are regularly discussed with management personnel.

This commitment is effective for the life of the merger.



For more information, contact:

Industry Preparedness Program
Alaska Department of Environmental Conservation
555 Cordova Street
Anchorage, Alaska 99501

voice: 907-269-3094
fax: 907-269-7687

This publication is also available on the Web at:
<http://www.dec.state.ak.us/spar/ipp/nscharter.htm>

